

## Message Text

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 8854

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SUBJECT: GOG REPEALS CERTAIN TAX PRIVILEGES FOR  
PERSONNEL OF FOREIGN FIRMS

REF: A) ATHENS 772; B) ATHENS 387; C) ATHENS 662;  
D) ATHENS 3834

1. LAW NO 27, ON THE TAXATION OF SHIPPING, ENACTED APRIL 22,  
AND RECENTLY GAZETTED, AMENDS AND SUPPLEMENTS PREVIOUS  
LEGISLATION GOVERNING GREEK SHIPPING TAXATION, AND ABOLISHES  
CERTAIN TAX PRIVILEGES PREVIOUSLY ACCORDED TO FOREIGN  
PERSONNEL OF FOREIGN COMMERCIAL, INDUSTRIAL, AND SHIPPING  
COMPANIES ESTABLISHED IN GREECE UNDER LAW 89/67, AS  
SUPPLEMENTED BY LAW 378/68. "LAW 89" FIRMS ARE REGIONAL  
SUPERVISORY OFFICES WHICH DO NOT DO ANY ACTUAL BUSINESS  
WITHIN GREECE, AND THE LAW GAVE THEIR FOREIGN PERSONNEL  
A WIDE RANGE OF TAX BENEFITS, INCLUDING DUTY FREE ENTRY  
OF AUTOMOBILE AND HOUSEHOLD GOODS, TAX FREE CIRCULATION  
OF AUTOS, AND EXEMPTION OF LOCALLY EARNED INCOME FROM  
GREEK INCOME AND STAMP TAX.

2. LAW NO 27 IS PRINCIPALLY CONCERNED WITH ORGANIZATION  
AND IMPLEMENTATION OF NEW TAX SYSTEM FOR GREEK FLAG SHIPPING.  
EMBASSY WILL REPORT BY SEPARATE AIRGRAM ON SHIPPING ASPECT

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OF NEW LAW. IN ADDITION, ART 29 OF LAW 27 AMENDS LAW 89 BY:

(A) ABOLISHING TAX FREE CIRCULATION OF AUTOMOBILES OWNED

BY FOREIGN EMPLOYEES OF LAW 89 FIRMS; AND (B) REPEALING  
INCOME AND STAMP TAX EXEMPTION ON EARNINGS IN GREECE BY  
FOREIGN EMPLOYEES OF LAW 89 FIRMS.

3. COMMENT. EMBASSY NOTES THAT ARTICLE IN INTERNATIONAL HERALD TRIBUNE, MAY 20, PARTICULARLY THE HEADLINE, COULD BE INTERPRETED TO IMPLY THAT THESE CHANGES COVERED ALL TAX BENEFITS OFFERED BY GOG TO FOREIGN INVESTORS UNDER GREEK INVESTMENT INCENTIVE LEGISLATION, AND SIGNALLED A CHANGE IN GOG'S ATTITUDE TOWARD FOREIGN INVESTMENT IN GENERAL.  
EMBASSY HOPES THE ABOVE MAY HELP IN ASSURING AMERICAN BUSINESS-MEN SHOULD THEY ENQUIRE.

4. AMENDMENT OF LAW 89 REFLECTS GOG CONCERN WITH ABUSES OF TAX FREE PRIVILEGES COMMITTED MOSTLY BY PERSONS WHO HAVE ORGANIZED LAW 89 SHIPPING COMPANIES FOR TAX FREE PERSONAL CONVENIENCE RATHER THAN FOR CONDUCT OF THEIR BUSINESS OUTSIDE GREECE. UNFORTUNATELY THIS SHOTGUN APPROACH, AIMED AT SHIPPING COMPANY ABUSES, ALSO PENALIZES INDUSTRIAL AND COMMERCIAL REGIONAL OFFICES OPERATING UNDER LAW 89, WHICH, HOWEVER, NUMBER ONLY 190 OUT OF TOTAL OF ABOUT 1020 LAW 89 FIRMS. ALTHOUGH SOME AMERICAN LAW 89 COMPANIES ARE CONCERNED ABOUT IMPACT OF NEW TAXES ON THEIR LOCAL COSTS, CONSENSUS AT THIS TIME SEEMS TO BE THAT PROFITABILITY OF LOCAL OPERATIONS WILL NOT BE AFFECTED SUFFICIENTLY TO FORCE THEM OUT OF GREECE.

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